



Teachers'
Pension Plan
Board

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de retraite des enseignantes
et des enseignants

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EXCHANGE

A NEWSLETTER FOR MEMBERS OF THE ONTARIO TEACHERS' PENSION PLAN

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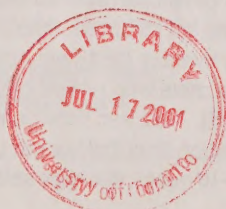
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Permanent 85 factor heads list of improved benefits

The Ontario Teachers' Federation recently announced that the pension plan will provide a permanent 85 factor, a 10-year pension guarantee and a lower CPP reduction to your pension.

These and other changes mean you'll collect more money while on pension and may give you the option to retire sooner. The benefit improvements, totalling \$6.2 billion, will be paid from the pension plan surplus.

NEW
Pension Benefits
2001



- Permanent 85 factor
- 10-year pension guarantee
- Reduced pension as early as age 50
- Lower CPP reduction
- 5-year average YMPE to calculate CPP reduction
- Older retirees' pensions to increase based on approximate best-5 salary
- LTIP contributions, top-up waived

SEE SUMMARY ON PAGE 3

WHAT THE ENHANCEMENTS MEAN TO YOU

85 FACTOR MADE PERMANENT

The early retirement window created June 1, 1998 will become permanent. You can retire with an unreduced pension when your age and qualifying years of service equal 85 or more.

- **Those most affected:** Teachers with less than the 85 factor at the end of the current window.

OPT FOR 10-YEAR PENSION GUARANTEE—AUTOMATIC FOR SINGLE PENSIONERS

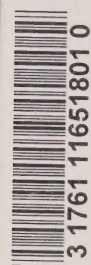
For a nominal reduction to your pension, you can choose to have your pension guaranteed for 10 years. This is how it works. If you die within 10 years after beginning your teachers' pension, your survivor or estate will receive the amount of your pension for the balance of the 10 years. After that time, your eligible spouse or dependent children will collect the survivor's pension chosen prior to retirement. If there is no survivor, or upon the death of the survivor, any balance remaining on 10 years of pension payments will be paid to the estate.

Pensioners who retired within the last 10 years will also be able to select this option.

The nominal reduction is needed to comply with legislation and is only a fraction of the cost involved.

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HERE IS WHAT THE PENSION BENEFITS ENHANCEMENTS MEAN TO YOU

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The reduction is 0.1% of your annual pension, or about \$35 per year for the average career teacher, and you must opt for the 10-year guarantee when your pension begins. The reduction to your pension is for life.

The fine print: Teachers who do not have a spouse at retirement are automatically provided with a 10-year pension guarantee at no cost.

The benefit provides your survivors or estate with 100% of your teachers' pension, *minus the CPP offset*.

■ **Those most affected:** Pensioners

REDUCED PENSION AT 50

You can begin collecting a reduced pension as early as age 50, down from 55. The reduction for immediate pensions is still 2.5% per point from the 85 factor or 5% per year from age 65, whichever is less.

N.B.

If you're between

50 and 55 and plan

to take a CV transfer,

you must quit teaching

before the new

rules take effect on

June 30, 2001.

NEW Pension Benefits 2001

The fine print: A commuted value is the estimated lump-sum amount you would need to replace your future pension. To take a commuted value transfer under the new rules, you must quit teaching at least the month before you turn 50.

With a CV transfer, you can't access your money before age 50 and even then, it can only be used to provide income payable for life. This benefit change is effective June 30, 2001.

■ **Those most affected:** Teachers under 50 considering collecting a reduced pension or taking a commuted value transfer.

LOWER CPP REDUCTION

The CPP reduction factor, which is used to calculate the amount

deducted from your pension when you turn 65 or collect a CPP disability pension, has been lowered further to 0.45% from 0.6%. This means you get to keep more of your teachers' pension when you reach 65. For the average teacher retiring this year, the lower CPP reduction means about \$1,700 a year more after age 65 plus inflation. This does not affect your CPP pension.

The fine print: For most full time teachers, the available RRSP room will shrink by a maximum of about \$5,600 in the 2003 tax year, and \$500 per year thereafter.

■ **Those most affected:** Teachers, pensioners

5-YEAR AVERAGE YMPE USED TO CALCULATE CPP REDUCTION

The average YMPE (Yearly Maximum Pensionable Earnings) used to determine the CPP reduction to your teachers' pension has been changed to five years from three years.

The fine print: This change will provide pensioners, on average, with an additional \$75 a year, plus inflation, after age 65.

■ **Those most affected:** Pensioners

OLDER RETIREES' PENSIONS TO INCREASE BASED ON THEIR APPROXIMATE BEST-5 YEARS' SALARY

Older retired teachers will have their pensions recalculated based on the approximate amount of their average best-five years' salary.

Teachers who retired before May 31, 1982 had their pensions based on their best-seven or last-10 years' average salary.

Please see page 6

Plan changes at a glance

Change	Effective	Explanation	Those most affected
Permanent 85 factor	April 1, 2001	Teachers can retire with an unreduced pension when their age and qualifying years of service equal 85 or more.	Teachers with less than the 85 factor at the end of 2002
Opt for 10-year pension guarantee—automatic for single pensioners	April 1, 2001	You can provide an optional 10-year guarantee of your teachers' pension for a nominal reduction to your pension. If you're single, you're automatically entitled to a 10-year pension at no cost. If you die within the period of the pension guarantee, your survivor or estate will receive the amount of your pension for the balance of the period.	Pensioners
Reduced pension at age 50	June 30, 2001	Teachers can begin collecting a reduced pension as early as age 50, down from 55. The reduction is 2.5% per point from the 85 factor for immediate pensions.	Teachers retiring early on a reduced pension, or considering a commuted value transfer
Lower CPP reduction	January 1, 2002	The CPP reduction factor has been lowered to 0.45% from 0.60%. This means more pension income after age 65. This benefit also shrinks your available RRSP room in the 2003 tax year and thereafter.	Teachers, pensioners
5-year average YMPE to calculate CPP reduction	January 1, 2002	The 5-year average YMPE (Yearly Maximum Pensionable Earnings) changed from 3-year average, effectively means you'll keep more of your teachers' pension.	Pensioners
Older retirees' pensions to increase based on their approximate best-5 years' average	June 1, 2001	Retired teachers with pensions calculated based on the best-7 or last-10 year average salary will have their pensions increased based on their approximate best-5, from the effective date onward.	Pensioners who retired before May 31, 1982
LTIP contributions, top-up waived	September 1, 2001	Teachers who begin long-term disability will have their pension contributions waived. Teachers currently on LTIP will have their top-up contributions waived.	Teachers on long-term disability

Annual meeting webcast live April 6

The annual meeting for representatives of the Ontario government and the Ontario Teachers' Federation will again be simultaneously webcast this year at www.otpp.com

The meeting on Friday April 6, 2001 at 5 p.m. EDT is to present last year's performance of the plan.

Speaking at the meeting are:

- Robert Korthals, Chair of the Board;
- Claude Lamoureux, President and CEO;
- Robert Bertram, Executive Vice-President, Investments;
- Allan Reesor, Executive Vice-President, Member Services and Chief Information Officer.

OTF simplifies buyback rules

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Your credit is the actual number of years you have taught, and it's one of two variables that determine the amount of your pension.

Missing a year of credit now, for instance, means one less year of credit when calculating your pension. The more credit you accumulate, the greater the amount of your pension.

EXAMPLES OF ELIGIBLE ABSENCES

You're eligible to buy back credit for:

- Employer-approved leaves—for instance: to study, travel or to remain at home with young children
- Pregnancy and parental leaves
- X/Y (deferred salary) leaves—commonly known as three-over-four or four-over-five leaves
- Religious holidays
- Breaks in service

An employer-approved leave is an absence that has been pre-approved by your employer for a specified, continuous period.

You may also be eligible to buy

credit for a break in service taken for compassionate reasons. If you quit because of family circumstances, such as caring for a child under age seven, or an elderly parent, you may be eligible to buy the credit.


COST OF THE PURCHASE

The cost of your purchase of credit is what you would have contributed to the plan if you had continued to work, plus applicable interest.

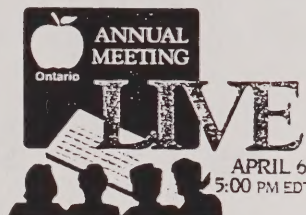
Actuarial costs are based on assumptions about interest, inflation and mortality rates, and salary increases. Generally, the closer you are to retirement, the greater the actuarial cost of your purchase of credit.



COMING UP WITH THE MONEY

to pay for an absence is not always easy. If you don't want to borrow the money, you can transfer some or all of the amount for your purchase of credit from your RRSP. However, there may be tax implications for your available RRSP room. 

The first 40 minutes of the annual meeting is a presentation of the 2000 performance of the plan, followed by 30 minutes of questions and answers



To view the meeting you'll need either RealPlayer or Windows Media Player—both are free downloads. We suggest you visit www.otpp.com about a week before the meeting to test your system or to download the free software.

IT'S INTERACTIVE

You can ask a question by e-mail prior to the meeting. We will make every effort to address your issue or concern. Please give us time to process the questions by sending your e-mail soon, and no later than the day before the meeting. E-mail your question to:


communications@otpp.com

1999 HIGHLIGHTS

You can watch your choice of six video clips from last year's annual meeting on our Web site. Each clip is about 7 to 10 minutes in length.

REDESIGNED WEB SITE BETTER THAN EVER

The Web site has a new look and more information.

In addition to the latest news about the plan, such as the investment returns for 2000, we've also added a new section that discloses the Teachers' pension plan proxy voting record for more than 350 Canadian companies. To find this information, click on "Investments," then "Corporate Governance." 

OTF simplifies buyback rules

The OTF also recently approved a series of amendments to the pension plan that simplify the rules regarding purchasing credit for absences. The changes are also expected to save the fund thousands of dollars in administrative costs.

The new rules take effect September 1, 2001.

NEW BUYBACK RULES

Five years to buy

You now have five years from the end of an employer-approved leave of absence or a suitable break in service to complete the purchase of credit. After the five years lapse, you lose the opportunity to purchase the credit.

In the past, purchasing credit on an actuarial-cost basis had been prohibitively expensive for many teachers. As a result, only a few teachers purchased credit this way.

You don't have to return to work to purchase credit

You can now purchase credit for an absence without returning to work.

No minimum amount of teaching required

If new teachers need to take an absence shortly after starting their careers, they'll now be able to buy the credit for the absence.

MOVING FROM OLD TO NEW RULES

Consideration is being given to those teachers who have not

completed the purchase of credit for absences that end before the new rules take effect.

For members who returned from an absence between September 1, 1996 and September 1, 2001

Deadline to purchase credit on a contributions-plus-interest basis is December 31, 2004. If you miss the deadline, you forfeit the opportunity to purchase the credit. If a partial purchase is made by the deadline, the buyback will be prorated. The purchase can be made regardless of whether you return to work.

For members who returned from an absence before September 1, 1996

You're eligible to purchase the absence on an actuarial-cost basis, provided you notify us no later

than December 31, 2002. Payment is due within 90 days from the date we provide you with a cost quote. If you miss either deadline, you forfeit the opportunity to purchase the credit.

HOW BUYBACKS FOR ABSENCES AFFECT PENSIONS

If you take an absence, you can continue to accumulate credit by contributing to the pension plan for the time you're away.

Why is purchasing credit important? Because you maximize the value of your pension. Buying credit provides you with the most pension you can have and, if the purchase gives you credit in a school year in which you previously had none, can allow you to retire sooner.

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NEW BUYBACK RULES

AT-A-GLANCE ■■■

- Five years to pay on a contributions-plus-interest basis— if you miss the deadline, you can no longer buy the pension credit for your absence on an actuarial-cost basis
- No return-to-work requirement
- No minimum teaching requirement

HERE IS WHAT THE PENSION BENEFITS ENHANCEMENTS MEAN TO YOU

Continued from page 2

NEW Pension Benefits 2001

in accordance with the plan rules at the time and is based on her best-seven years' average salary. Recalculating her pension based on her approximate best-five years' means Elizabeth will see her annual pension increase by \$1,714.

Current annual pension \$24,871

Adjusted to
approximate best-5 \$26,585

The fine print: This change is from June 1, 2001 onwards and is not retroactive to the start of the pension.

Example: Elizabeth retired in June 1975 after a 35-year teaching career. Her pension was calculated

Those most affected:

Approximately 11,500 pensioners who retired before May 31, 1982.

COLLEGE STANDING UNCOUPLED FROM PENSION MEMBERSHIP


recent amendment to the pension plan means that once certified to teach, plan members don't need to maintain good standing with the Ontario College of Teachers to continue contributing to the pension plan.

For pension plan purposes, teachers can contribute to the plan if they have:

- obtained teacher certification from the Ministry of Education or the Ontario College of Teachers, or


- a letter of permission granted by the Minister of Education. The amendment is retroactive to the introduction of the Ontario College of Teachers.

PARTICIPATED IN OMERS SINCE 1997?

The amendment to the plan also means that qualified teachers who recently participated in the OMERS pension plan must transfer that credit to the Teachers' pension plan. This applies to qualified teachers working for school boards in non-teaching positions. If this affects you, call the Teachers' pension plan to begin the transfer process. 

LTIP CONTRIBUTIONS AND TOP-UP WAIVED

Teachers who begin long-term disability on or after September 1, 2001 will have their pension contributions waived.

As well, teachers currently collecting long-term disability benefits have their insurance providers make pension contributions on their behalf. These pension contributions are based on their salary fixed at the time they stopped teaching because of their disability. Teachers on disability have the option to have their salary adjusted for inflation by paying additional contributions. This top-up for pension contributions while on long-term disability has also been waived effective September 1, 2001. 

EXCHANGE

is published for members of the Ontario Teachers' Pension Plan.

We appreciate your comments about anything you read in *Exchange*. Please contact John Cappelletti at (416) 730-5351 or 1-877-812-7989, or E-mail: john_cappelletti@otpp.com

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